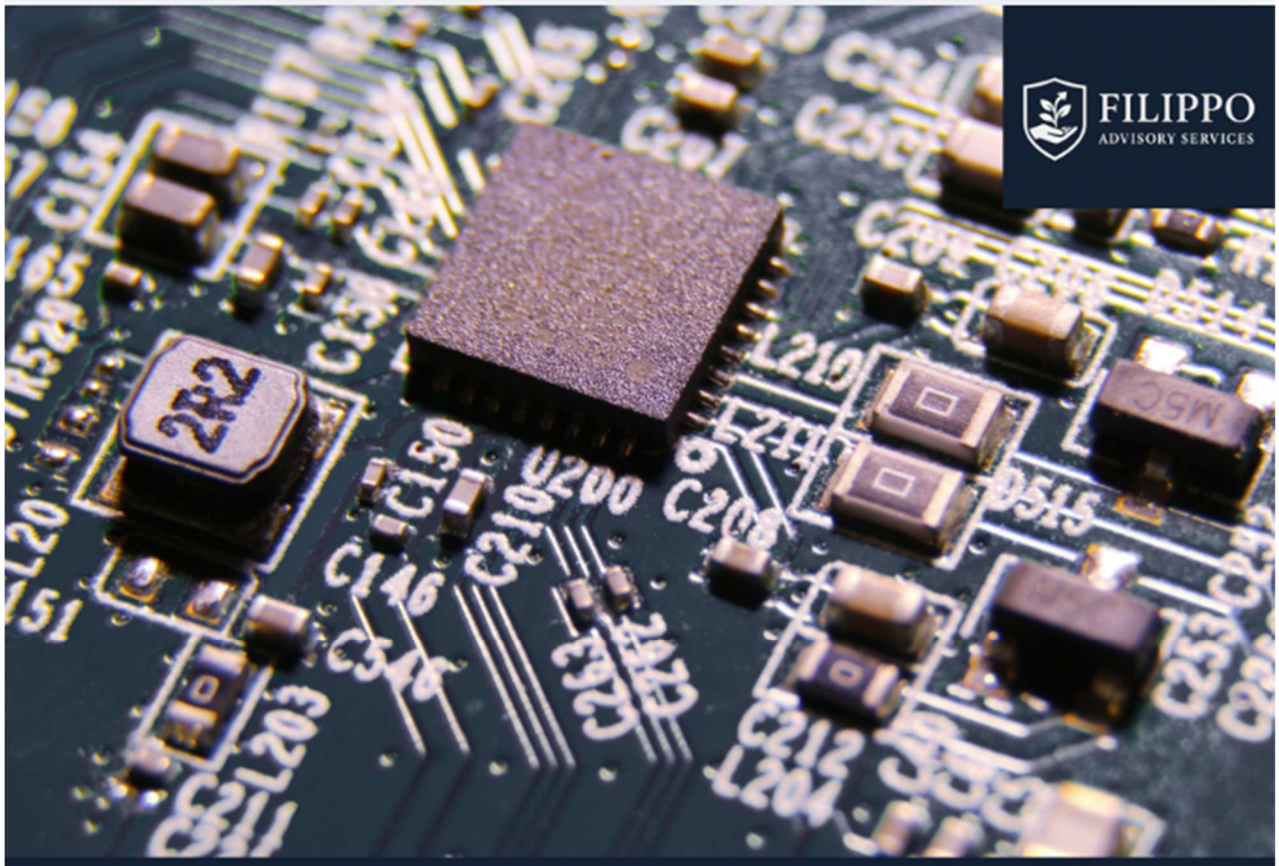


Quarterly Market Update

Q2 2026

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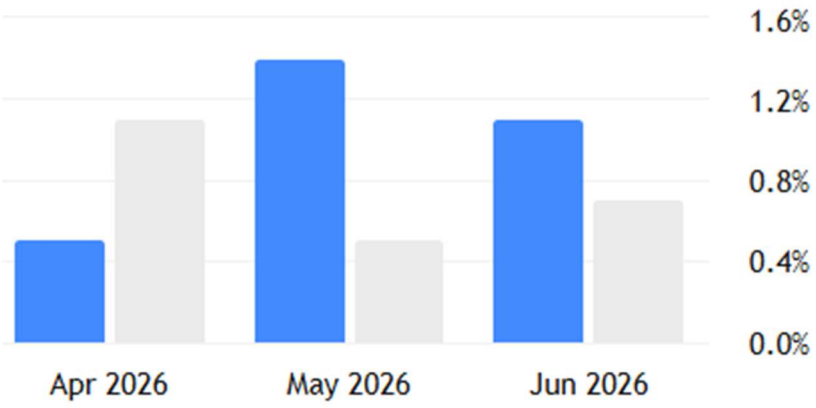
June 30, 2026

Q2 2026 Market Sentiment

March 30th marked the day that we saw as the bottom, and no one expected it. The markets looked like they wanted to freefall, but subsequent days were met with aggressive buying, allowing the market to climb a wall of worry. This fear was the key ingredient to the lockout

rally that we were blessed with this quarter.

Producer price index (PPI) levels are at 12 month highs, with the PPI of May almost tripling forecasts. For the economy, a hot PPI print usually signals pressure for businesses, through higher input prices or selling-prices. Some of this pressure may pass through into later consumer inflation, which means the Fed has less room to cut rates quickly. With a PPI print this hot, equities should suffer, but this is only in theory. The market's extreme strength was not tarnished by these statistics, which is what brings me to the key takeaway of this review; **follow price, not news.**

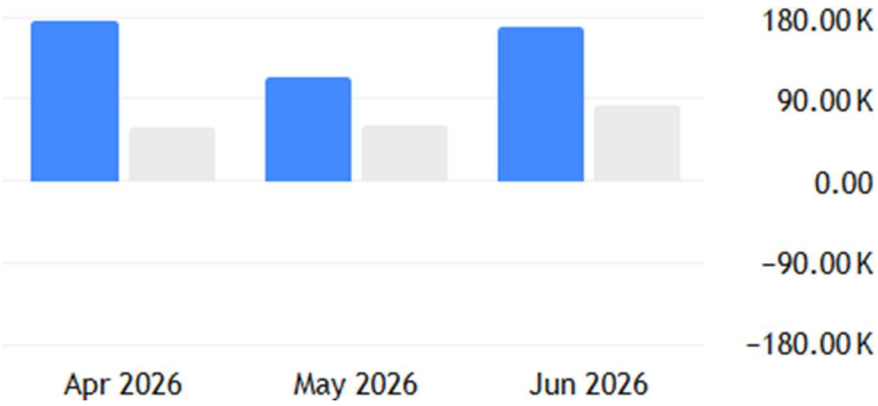


Source: Bureau of Labour Statistics

**What is PPI?:* In the United States, the Producer Price Inflation for final demand measures month-over-month changes in the price for commodities sold for personal consumption, capital investment, government, and export. It is composed of six main price indexes: final demand goods (33 percent of the total weight), which includes food and energy; final demand trade services (20 percent); final demand transportation and warehousing services (4 percent); final demand services less trade, transportation, and warehousing (41 percent); final demand construction (2 percent); and overall final demand

The first real signs of weakness came on Friday, June 5th, following the release of **jobs data.** Unemployment rate remained unchanged this quarter, with non farm payrolls higher than expected

all three months. This is a strong sign for the overall economy, as salaries and household earnings are higher, encouraging more spending and investing. The negative side, which the market decided to focus on, is that higher interest rates may come as a result. The market has had a historic rally, and institutions were likely searching for any event they could use to provide them with liquidity to exit some positions.



Source: Bureau of Labour Statistics

**What is nonfarm payroll?* Nonfarm payroll is an employment report released monthly, usually on the first Friday of every month, measuring employment payrolls and industry data. Current Employment Statistics (CES) program from the U.S. Department of Labor Bureau of Labor Statistics, surveys about 141,000 businesses and government agencies, representing approximately 486,000 individual work sites, in order to provide detailed industry data on employment, hours, and *earnings* of workers on nonfarm payrolls.

The Fed's June 17th **interest rate decision** added another layer of uncertainty to a market that had already stretched significantly from its March lows. While investors had been hoping for clearer signs that rate cuts were approaching, Warsh struck a hawkish tone, keeping rates at 3.75% while emphasizing that inflation pressures remained too persistent for the Fed to move aggressively toward easing. This mattered because recent PPI and labour data had already reduced the market's confidence in a quick-cut narrative. Rather than giving equities a fresh reason to extend higher, the decision reminded investors that monetary policy could stay restrictive for longer than expected. The S&P 500 fell 1.3% that day, not because the economy was suddenly weak, but because positioning had become crowded after a historic rally and the market was vulnerable to any signal that liquidity would not improve as quickly as hoped.

Navigating the Lockout Rally

April served as the ultimate test of this resilience, forcing the market to digest severe geopolitical shocks. Just days after the March 30th bottom, President Donald Trump injected fresh volatility into the global landscape through a combination of major trade policies and war conflicts. Investors were initially rattled on April 2nd when President Trump suddenly announced a 100% tariff increase on Chinese exports alongside aggressive software export controls. This shift caused tech and semiconductor sectors to plummet, dragging the NASDAQ down by 2% before the open as fear of a broader trade war and supply chain disruption intensified.

However, this exact moment is what caused me to begin flipping my bias. The NASDAQ opened down 2% and closed in the green, signalling a strong change in investor sentiment compared to the last few months. The market was in a downtrend, with high geopolitical tensions, and was down 2%, all arrows were pointing at another brutal day in the markets. Instead, buyers stepped in, and strength was revealed in stocks that would soon be the market leaders of this cycle.

The narrative pivoted sharply on April 8th, giving way to an aggressive, V-shaped rebound. Facing heightened tensions and volatile oil prices from the ongoing Middle East conflict, President Trump abruptly pulled back from threats of devastating strikes on Iran. This is why we follow price and not news, as that buying on April 2nd could have signalled someone knew something about better times ahead. This surprise pivot caused crude oil prices to plunge below $95 a barrel, prompting a historic relief rally where the S&P 500 leaped 2.5% in a single day following the announcement of a two-week ceasefire. From this point forward, equities were completely decoupling from energy shocks, and investors began viewing any military de-escalation under the Trump administration as a green light to buy the dip.

By April 13th, the S&P 500 successfully erased its entire U.S.-Iran war drawdown, briefly turning positive for the year after having been down more than 7% at its conflict-driven lows. Both retail and institutional investors rotated heavily into broad-based ETFs, semiconductors, memory, and fiber optics, realizing that the underlying economy was robust enough to absorb the geopolitical noise. This relentless buying pressure ultimately propelled the S&P 500 to a staggering 10.5% return by the end of the month, securing the second-best April for the index since 1950 and proving that the demand for equities remained completely intact.

Shift in AI and Market Sentiment

The leaders of the second quarter stemmed from the sectors that refused to break their structure when the market was plummeting. Capital aggressively shifted toward solving the core hardware bottlenecks of data scaling, sparking leadership across the high-bandwidth memory (HBM), data infrastructure, and fiber optics spaces. A prime example of this was **Micron Technology** ($MU), which is the largest company solving the memory bottleneck the industry is facing. Driven by this supply deficit and extreme market strength, MU surged past a $1 trillion market cap. It doubled its valuation from $500 billion to $1 trillion in just 48 trading days, cementing the fastest run to a 13-figure valuation on record. Simultaneously, data infrastructure providers

capitalized on massive hyperscaler demand by locking in highly valuable contracts. **Nebius Group** (NBIS) supercharged its outlook by securing a massive, multi-year infrastructure supply agreement with Meta Platforms worth up to $27 billion. This was paired with a $19.4 billion infrastructure commitment from Microsoft and direct backing from Nvidia, proving that compute infrastructure has become the primary engine of capital deployment.

This heavy infrastructure spending directly paved the way for a powerful turnaround in a previously neglected pocket of the tech ecosystem: software. For quarters, the software application layer was widely ignored or heavily sold off. Investors had institutionalized a fear that software companies were facing a period of capital destruction, where artificial intelligence can replicate their services. In Q2, that narrative completely reversed as software caught massive buy flows. Institutional capital rotated back into platforms like DigitalOcean (DOCN) and Twilio (TWLO) as financial metrics turned structurally positive. TWLO, for instance, gapped out of a multi-year base and surged nearly 25% in a single session after crushed expectations and a raised full-year outlook. The pivot was triggered by corporate earnings data showing that infrastructure investments were finally converting into enterprise subscription revenue and expanded margins.

Showing notable strength in the sector is cybersecurity, as the fears of data leakages from Agentic AI have increased the importance of cybersecurity solutions. CrowdStrike (CRWD), Palo Alto Networks (PANW), and Fortinet (FTNT) all reported multi-billion dollar revenue quarters by bundling firewalls and cloud defenses into a single platform. Together, these core security leaders proved that enterprise digital defenses cannot be dialed back, shifting the cybersecurity narrative from an abstract spending headwind into a structural, multi-year revenue tailwind.

What's Next?

After a quarter defined by relentless upside, the market is entering a phase where expectations need to reset. The move off the March 30th low was not just strong, it was violent. When markets rise that quickly, the problem is no longer whether buyers exist. The problem becomes that too many people are suddenly positioned on the same side of the boat. Once that happens, even good news can stop producing clean upside, because much of the optimism has already been priced in.

This does not necessarily mean the rally is over. It means the character of the market is likely changing. The easy phase was the lockout rally, where underexposed investors were forced to chase strength and every dip was met with immediate buying. The next phase is usually more frustrating. After tremendous gains, markets often need to cool off through either price correction or time correction. A price correction is simple: indexes pull back. A time correction is more subtle: indexes move sideways, leadership rotates underneath the surface, and individual sectors take turns working for only short periods before money moves elsewhere.

*This is where **chop** becomes the base case.*

We have seen similar behaviour after other large rallies. Strong advances are often followed by periods where the index stops trending cleanly, even though parts of the market continue to move. These periods can feel confusing because the headline index may appear stable, while

sector leadership changes rapidly beneath the surface. One week semiconductors lead, the next week software catches a bid, then capital rotates into defensives, financials, small caps, or health care. The market does not necessarily collapse, but it becomes harder to press a single theme without active risk management.

That is the environment I believe we are entering now. The second quarter rewarded investors for identifying strength early and holding through fear. The next quarter may reward patience, selectivity, and the ability to avoid chasing extended moves late. The market has already priced in a significant amount of optimism around AI infrastructure, resilient employment, and the possibility of future rate cuts. For equities to continue moving higher in a straight line, earnings would need to keep surprising positively while inflation data cools enough to give the Fed room to ease. That is possible, but after this kind of run, the margin for disappointment is much thinner.

Sector Performance (Quarter and Year-to-Date)

Market Indices and Gauges

Example ETF	% Change Quarter	% Change YTD
SPY	17.25%	8.46%
RSP	13.28%	10.47%
QQQ	29.70%	18.10%
QQQE	25.91%	18.16%
DIA	15.40%	7.87%
MAGS	14.68%	-2.80%
MDY	16.51%	14.17%
IWM	24.77%	20.17%
SVXY	29.62%	1.38%
ARKK	27.86%	6.86%
VT	16.13%	9.66%
VIG	11.98%	6.95%
NUGT	-28.52%	-35.83%
SHY	-0.40%	-0.83%
IEF	-0.22%	-1.06%
TLT	0.77%	0.48%

Sector Performance

Sector	Example ETF	% Change Quarter	% Change YTD
Semiconductors	SMH	74.32%	69.30%
Genomics	ARKG	66.81%	43.72%
Quantum Computing	QTUM	57.41%	43.09%
Technology	XLK	45.42%	28.49%
Cybersecurity	HACK	41.54%	29.31%
Airlines	JETS	39.93%	16.93%
AI Power	AIPO	36.54%	40.60%
Biotechnology	XBI	33.28%	30.27%
Blockchain	BLOK	33.04%	6.36%
Clean Energy	PBW	26.66%	17.74%
AI & Robotics	ROBT	24.41%	5.11%
Optics	XTL	23.93%	43.75%
Emerging Markets	EEM	23.16%	19.90%
Transports	IYT	21.40%	16.34%
Growth Stocks	VUG	21.21%	4.71%
Travel	PEJ	20.45%	9.71%
Home Construction	ITB	18.04%	6.65%
Banking	KBE	17.42%	11.51%
Industrials	XLI	16.70%	15.69%
Software	IGV	15.81%	-12.40%
Space	UFO	15.74%	22.00%

Robotics	BOTZ	15.22%	0.41%
HealthCare	VHT	13.54%	4.74%
Aerospace	ITA	13.44%	7.71%
Insurance	KIE	12.83%	3.18%
Real Estate	VNQ	12.39%	10.88%
Retail	XRT	12.21%	2.37%
Steel	SLX	12.07%	14.80%
Medical	XLV	11.76%	3.36%
Financials	XLF	11.08%	-2.20%
Consumer Discretionary	XLY	10.85%	-1.04%
Telecom	IYZ	10.05%	24.73%
Solar	TAN	8.91%	11.63%
Social Media	SOCL	5.27%	-22.96%
Materials	XLB	3.20%	9.84%
Consumer Staples	XLP	3.04%	8.60%
Metals/mining	XME	2.96%	-0.94%
Argentina	ARGT	2.73%	0.43%
Self-driving	IDRV	2.02%	-1.74%
Utilities	XLU	0.22%	6.58%
Communications	XLC	-0.07%	-7.72%
Latin America	ILF	-0.53%	9.76%
Agriculture	VEGI	-1.90%	12.69%
Uranium	URA	-3.00%	-4.62%

Medical Devices	IHI	-3.67%	-18.13%
Bitcoin	IBIT	-9.29%	-32.90%
Gold Miners	GDX	-11.78%	-11.72%
China Internet	KWEB	-12.53%	-31.80%
Oilers	IEO	-12.98%	21.29%
Energy	XLE	-13.52%	17.37%
A&D Defence bias	SHLD	-14.06%	-11.64%
Silver Trust	SLV	-17.07%	-19.88%
Coal	COAL	-18.09%	-1.37%
Etherium	ETHA	-19.84%	-48.09%

2026 Stocks to Watch: Update

The Space Economy

Our thesis of the broader space buildout gaining traction into the SpaceX IPO played out perfectly. However, space stocks faced a sharp selloff closer to the date of the SpaceX IPO, following the old saying to "buy the rumour and sell the news." We capitalized upon this trend from the middle of April to the end of May, primarily through the broader sector ETF, ($UFO) and Rocket Labs Inc ($RKLB). The theme as a whole will likely need some time to consolidate and come back down to more realistic valuations before continuing its trend.

$GE *- GE Aerospace Inc.*

2026 peak performance YTD: +23.10% *Price as of June 30, 2026: $374.00*

2026 performance YTD: +21.62%

$CRS *- Carpenter Technology Corporation*

2026 peak performance YTD: +93.29% *Price as of June 30, 2026: $607.3*

2026 performance YTD: +92.81%

$PL *- Planet Labs PBC* ***Speculative*

2026 peak performance YTD: +167.4% *Price as of June 30, 2026: $31.45*

2026 performance YTD: +58.43%

Semiconductors/AI Value Chain

The sector as a whole did not break structure when the market did, and was the first group to lead out of the April correction, which was a clear hint towards where leadership was flowing. Led by Memory and Optics, this was the top performing industry this quarter. After such an incredible run, it is expected to see some basing and pullback for the coming weeks and months. We sold our positions in the sector during the middle of June and trimmed on the way up to keep equity curves smooth. With the sector extended, we will be looking to re engage after these stocks finally put in a top and digest this move.

$ASML *- ASML Holdings Inc.*

2026 peak performance YTD: +83.26% *Price as of June 30, 2026: $1883.11*

2026 performance YTD: +76.01%

$COHR *- Coherent Corp.*

2026 peak performance YTD: +137.96% *Price as of June 30, 2026: $391.22*

2026 performance YTD: +111.96%

$GOOG *- Alphabet Inc.*

2026 peak performance YTD: +29.12% *Price as of June 30, 2026: $351.28*

2026 performance YTD: +12.01%

AI-Applied Software

Reddit and UiPath have been neglected by the market since the beginning of the year, and we are not one to argue with the market. Since being stopped out at a minor loss at the very beginning of the year, these stocks and the sector as a whole have not been engaged with. They are not leaders, and did not benefit much when the software landscape became more positive. In software, we are mainly focused on cybersecurity which has plausible demand, and the price action to support it.

$RDDT *- Reddit Inc.*

2026 peak performance YTD: +15.64% *Price as of June 31, 2026: $174.39*

2026 performance YTD: -24.14%

$PATH *- UiPath Inc.* ***Speculative*

2026 peak performance YTD: +9.07% *Price as of June 31, 2025: $10.66*

2026 performance YTD: -34.84%

Conclusion

Q2 was a reminder that markets rarely wait for perfect clarity. The strongest opportunities often appear when uncertainty is highest, and this quarter rewarded investors who respected price action rather than becoming trapped by headlines. From the March 30th bottom to the aggressive rotation into AI infrastructure, software, cybersecurity, and now biotech, the market showed that leadership is found by observing where capital is flowing, not by arguing with the news cycle.

The next quarter will likely be defined by three questions. First, can inflation continue moving lower without damaging growth? Second, can earnings justify the valuations that have expanded during the rally? Third, can rotation broaden beyond the AI infrastructure leaders into other sectors without the broader index losing support?

Until those questions are answered, the market may remain choppy, rotational, and less forgiving. The lesson from Q2 was to follow price, not news. The lesson for the next phase may be to follow rotation, not emotion. Markets that run too far too fast usually need to breathe. The goal now is to identify where capital is moving next, avoid overstaying crowded trades, and recognize that sideways action after a major rally is often a reset, not a reversal.

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